

DOCKETED

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15-MISC-04 ARFVTP Technology Merit Review Biofuel

Additional submitted attachment is included below.



TO: Commissioner Scott
Tim Olson
FR: Shawn Garvey
DA: September 18, 2015

RE: Workshop on Technology Merit Review

Much of the discussion today was focused on what constitutes success from the perspective of CEC investment in a project, or a technology. My comments focus on the people and processes that support project success for bioenergy projects.

Grant Farm has successfully developed over \$1.2 billion in advanced energy, vehicle, water and manufacturing proposals with \$460MM in public funding partnerships. We have been a critical team member in more than \$100MM in bioenergy projects, including 4 CleanWorld Digester facilities, Recology's Hay Road Digester, Recology's EBMUD/SF Transfer Pre-Processing facility, four CalBio Energy Dairy Digester projects in the San Joaquin Valley, Crimson's Phase I and II Scale-up projects, New Leaf Biodiesel's 5MM GPY Scale Up facility, and projects on behalf of all 3 major California ethanol producers. Grant Farm is currently working on a bioenergy pre-processing facility at Republic's Sacramento Transfer Station and a 950 TPD Waste Management bioenergy project proposed for Oakland, California.

In our experience, bioenergy projects rarely succeed or fail strictly on the strength of the technology or the project. Rather, a key indicator of success is the strength, integrity, patience and diligence of key people involved in the project. Successful projects – like Crimson, CleanWorld or CR&R--succeed oftentimes because of the unique qualities of key individuals in those efforts and Paul –and we believe that we should think just as carefully as to how we reproduce Harry and Michelle and Paul as we do how we reproduce a successful biofuel technology.

1. Expand upon the Culture of Innovation

While scale and volume is ever-more-critical to state objectives, the CEC Bioenergy Program should also focus on expanding a dynamic and robust culture of innovation. Grant Farm points to the recently released SEED Program in the EPIC Program, which contains builds upon and accelerates the EISG Program with a 4-year, \$33MM investment in emerging technology and innovation companies. Grant Farm recommends that the SEED Program be utilized as a model for making investment in emerging California energy innovators, allowing the core AB118 program to focus on investment in higher volume outcomes while expanding the commitment to emerging and potentially transformational technologies with a focus on leverage of private investment and identification of emerging entrepreneurs.

Additionally, Grant Farm recommends an expanded and renewed approach to encouraging teaming and collaboration, like the new linked in teambuilding functionality. Reliable multi-cycle funding in Accelerators and Incubators. Focus and training on connection with and leverage of private equity markets, including not only Angels and VCs, but also other emerging tools like Equity Crowdfunding like CircleUp, Crowdfunders, and Fundable, while supporting a **culture of inspiration** around California's historic and dramatic objectives around renewable energy. We

continue to approach the manner in which we manage and communicate, including this very session, utilizing old paradigms of organizational culture.

2. Avoidance of catastrophic success.

Grant Farm defines catastrophic success as “an innovation enterprise that attracts so many resources so quickly that it exceeds its own sustaining capacity, resulting in the inability of the organization to respond to demand.” Our company is keenly aware of both the opportunity and the problems associated with funding Awardees that are not fully prepared for the success and responsibilities of a CEC award.

We assert that CEC can do this—not by throttling innovators or reducing investment in entrepreneurial efforts like CleanWorld, Hyperlight, New Leaf—but rather, in expanding the infrastructure of support that will best enable emerging companies. This includes:

- Socializing applicants and awardees to the very idea of how to collaborate with the CEC
- Support teaming relationships and collaborations, even mentorships, for already funded applicants
- Eliminating to the greatest degree possible the antagonism that can often exist in the relationship between the CEC and an Awardee
- Real training for preparation of CPRs, Final Reports, and in particular, Audits. Audits should not be a gotcha-exercise for CEC-funded applicants, but rather a facilitated process that seeks to build a successful infrastructure at an Awardee company. CEC should invest in training Awardees at the outset as to how to prepare their internal financial controls so as to successfully survive an Audit
- And also, remember scale and size is not always the key indicator of project success, of either the project itself or the project applicant.
- We’ve seen many early stage innovators – CleanWorld, New Leaf – that succeed while other much more financially robust organizations that at times “grant-bank” funds with no intention of moving a project forward quickly. This is a critical distinction, as CEC’s goal of accelerating scale and success is not invariably linked to how financially robust a given applicant is at a given moment in time, but rather a confluence of factors that include entrepreneurial drive
- Better research on what constitutes a successful project applicant, rather than simply what might constitute a successful project itself....meaning CEC needs to better understand who succeeds in this environment, not just what succeeds

3. Streamline and Modernize the Process

- Online submission process and internal GMS ala CalRecycle, not only because it’s more efficient, but because it reflects the state’s commitment to adopting technology in a manner consistent with its own objectives
- Consider mimicking CalRecycle’s GHG Organics Program in which a certain portion of each grant will be associated directly with meeting production objectives on per unit basis
- Create consistency and reliability in fund opportunities. CEC must stick to internal deadlines at all cost. Lack of reliability in timelines absolutely undermines potentially successful projects, adding time and cost to prospective applicants and Awardees
- Consider, awarding omnibus type awards to private partners to administer investment – ie HVIP, NG VIP, SEED Program

4. Dramatically Expand the Communities that are participating in California's advanced energy economy

- Dramatic and intentional outreach to non-traditional communities that are currently not a significant part of this conversation – DAC, women and minority populations – beyond solar installation programs and extra points for siting preferences – mentoring, interning, coaching targeted to the junior and senior level
- AB118 should see the EPIC Clusters Program for an example of a well-considered investment in innovation and entrepreneurial activity in non-traditional communities
- Quite simply, at some point if we fail to successfully engage a more diverse cross-section of California in what are globally and historically transformative effort, we'll lose the support of these constituencies for these types of investments and innovations.

GRANT FARM

WHERE GREAT IDEAS COME TO GROW

August 12, 2015

Dear Client,

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Sincerely,
The Grant Farm Team

